

**THE ALABAMA PREPAID AFFORDABLE COLLEGE TUITION PROGRAM
MEETING OF THE BOARD OF DIRECTORS
August 21, 2013**

MINUTES

Present:

Treasurer Young Boozer, Chair
Mr. Bill Newton
Dr. Greg Fitch
Ms. Karen Gandy
Mr. Marc Green for Dr. David Bronner
Gen. Paul Hankins, Vice Chair
Ms. Leigh Grogan for Dr. Mark Heinrich
Dr. William Meehan

Absent:

Sen. Roger Bedford
Rep. Craig Ford
Dr. Richard Huckaby
Mr. Jimmy Stubbs
Ms. Gwen Webb
Ms. Patti Lambert

Others present include:

Ms. Daria Story, Assistant Treasurer
Mr. Chad Wright, PACT Director
Ms. Glenda Allred, Deputy Treasurer
Ms. Kelly Renner, PACT Executive Assistant

Agenda Item 1.

Pursuant to written and public notice, the quarterly meeting of the Board of Directors of the PACT Program was held in the Board Room of the RSA Headquarters on August 21, 2013. The meeting was called to order by Chair Young Boozer at 1:05 p.m. Roll was taken with a quorum present.

Agenda Item 2.

Chair Boozer presented the minutes of the May 22, 2013 board meeting. A motion for approval of the minutes as presented was made by General Hankins, seconded by Dr. Meehan, with unanimous approval.

Agenda Item 3A.

Chair Boozer stated that the settlement is now in place and that the first payments under the agreement were made in the summer 2013 term. He then explained that the program was putting the necessary controls and management in place to ensure that the plan works until the end of the program. He then asked Mr. Chad Wright for a program report. Mr. Wright stated that the two professional service contracts for HDI and Jackson Thornton as approved in the May meeting were now in place and that the duties previously performed by the records administrator (HDI) were now being brought in-house as planned. He introduced Kelly Renner, a former HDI employee, and announced that she had been hired by Treasury. She has extensive knowledge of the PACT database system and can also assist with training. She will also assume many of the accounting duties for the college savings programs. Mr. Wright provided information on program activities, cancellations, trust fund assets, and the budget. He reported that

over \$39 million had been paid to various institutions for the spring 2013 term on behalf of over ten thousand beneficiaries and over \$7.5 million was paid for the summer term. He notified the board members that account cancellations were up only slightly, from an average of 10 per week to an average of 15 per week since the Supreme Court ruling. He stated that the all pending invoices as of the last meeting had been paid at pre-settlement rates per the board's direction and that all other invoices to in-state and out of state institutions were paid at the rates certified in the settlement beginning with the summer 2013 term. He then stated the PACT website had been redesigned and that all settlement related information, including certified rates had been updated on the site.

Agenda Item 3B.

Chair Boozer provided the quarterly investment report in the absence of Barry Bryant. He provided a brief overview of the economy in general and stated that the GDP grew at a rate of 1.7% which was an improvement from the first quarter, but economic growth was still rather slow. Unemployment and the Fed Funds Rate remained steady. He pointed out that the Barclays Aggregate posted negative returns of 2.3% for the quarter and stated that interest rates rose rather quickly during the quarter causing the negative return. Chair Boozer provided information on the portfolio and stated that the total return was -0.9% for the quarter, 0.2% fiscal year to date, and 2.6% for the past 12 months which outperformed the shadow index for each period. He stated that, according to the investment policy, the portfolio would be transitioning from 50% intermediate and 50% short duration to 25% intermediate and 75% short duration on October 1, 2013.

Agenda Item 3C.

Chair Boozer provided information on the quarterly actuarial report and stated that the results described in the report are based on the Supreme Court ruling affirming the settlement compared to the September 30, 2012 (fiscal year-end) report that was based on payment of full benefits. He gave a summary and explanation of the assumptions and methods utilized in the report. Chair Boozer pointed out that the assumption for administrative expenses had been reduced in the report and the goal was to manage the program at the least possible cost in order to maximize benefits paid. He stated that, as of June 30, 2013, the program was 106.3% actuarially funded, with current net present value reserve of \$44 million. He provided a summary of the cash flows and explained that it would be necessary to closely monitor the cash flow to determine if there is a way to deliver additional benefits while maintaining a fully-funded status. Chair Boozer stated that he had been in contact with the leadership of both the House and Senate to keep them informed and to let them know that additional information would be provided to them by year end in the annual report.

There being no further business to be discussed, a motion for adjournment was made by Mr.Green, seconded by Dr. Meehan, with unanimous approval. The meeting adjourned at 1:23 p.m.

Chad Wright, Recording Secretary

Young Boozer, Chair